



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WAYNE COUNTY SHERIFF**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bruce Ramsey, Wayne County Judge/Executive
Honorable James L. Hill, Wayne County Sheriff
Members of the Wayne County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Wayne County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Wayne County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
WAYNE COUNTY SHERIFF**

Calendar Year 2001

Berger & Ross, PLLC
Certified Public Accountants and Fraud Examiners
800 Envoy Circle
Louisville, KY 40299-1837
(502) 499-9088
Fax: (502) 499-9132

400 Democrat Drive
Suite 2107
Frankfort, KY 40601
(502) 695-7353

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WAYNE COUNTY SHERIFF

Calendar Year 2001

Berger and Ross, PLLC, has completed the Wayne County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$3,481 from the prior calendar year, resulting in excess fees of \$21,975 as of December 31, 2001. Revenues decreased by \$27,680 from the prior year and disbursements decreased by \$24,199.

Best Practices:

We would like to commend the Wayne County Sheriff, James L. Hill, and Bookkeeper, Denise Simpson, for excellent accounting procedures and bookkeeping.

Report Comment:

The Sheriff Should Have Required The Depository Institution To Pledge Or Provide Additional Collateral Of \$29,298 To Protect Deposits

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(502) 499-9088
800 Envoy Circle
Louisville, Kentucky 40299-1637

FAX: (502) 499-9122
Email: info@irsrescue.com
Internet: www.irsrescue.com

Member:
American Institute of Certified Public Accountants (AICPA)
National Association of Tax Professionals (NATP)
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National Association of Public Accountants (NAPA)
National Association of Public Accountants (NAPA)

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Wayne County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts and disbursements of the County Sheriff for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
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Honorable James L. Hill, Wayne County Sheriff
Members of the Wayne County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 5, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment.

- The Sheriff Should Have Required The Depository Institution To Pledge Or Provide Additional Collateral Of \$29,298 To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
June 5, 2002

WAYNE COUNTY
JAMES L HILL, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

Federal Grant and Contract:

COPS Universal Hiring Grant	\$ 6,755		
U.S. Army Corps of Engineers - Lake Patrol	8,773		\$ 15,528

State Grant and Fees For Services:

Finance And Administrative Cabinet	\$ 9,971		
KLEFPF Grant	13,403		23,374

Circuit Court Clerk:

Security Fees	\$ 4,371		
Arrest Fees	4,667		9,038

Fiscal Court:

92,247

County Clerk:

Delinquent Taxes			1,647
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Commission on Taxes Collected

148,670

Sheriff's Fee on Taxes Collected

24,552

Fees Collected for Services:

Auto Inspections	\$ 5,475		
Transporting Mental Patients	12,006		
Serving Papers	14,430		
Accident and Police Reports	195		32,106

Other:

Carrying Concealed Deadly Weapon Permits	\$ 6,285		
Returned Checks Collected	215		
Miscellaneous	164		6,664

Interest Earned

1,465

Borrowed Money

State Advancement (Note 5)	\$ 50,000		
Loans Between Funds (Note 6)	13,100		63,100

Total Receipts

\$ 418,391

WAYNE COUNTY
JAMES L HILL, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services -		
Deputies' Salaries	\$ 191,230	
Part-time Deputy Salary	9,645	
Training Fringe Benefit	1,436	
Employer Share on Retirement - Incentive Pay	<u>868</u>	\$ 203,179
Automobile Expenses -		
Gasoline	\$ 17,932	
Maintenance, Repairs, and Equipment	<u>17,816</u>	35,748
Other Charges -		
Advertising	\$ 347	
Office Supplies	4,749	
Carrying Concealed Deadly Weapons Permits	4,120	
Uniforms & Equipment	1,859	
Travel	3,315	
Returned Checks	185	
Telephone	6,728	
Film and Developing	1,662	
Dues	429	
Postage	52	
Miscellaneous	<u>1,465</u>	24,911
Capital Outlay -		
Office Equipment	\$ 1,591	
Vehicle Purchases	<u>9,500</u>	11,091
Debt Service -		
Repayment of State Advancement	\$ 50,000	
Repayment of Loans Between Funds	<u>13,100</u>	<u>63,100</u>
Total Disbursements		<u>\$ 338,029</u>
Net Receipts		\$ 80,362
Less: Statutory Maximum		<u>58,387</u>
Excess Fees Due to Fiscal Court:		\$ 21,975
Less: Payment to Fiscal Court - February 14, 2002	\$ 21,938	
Payment to Fiscal Court - June 5, 2002	<u>37</u>	<u>21,975</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

WAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months of the year and 6.41 percent for the last six months of the year.

WAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 28, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$29,298 of public funds uninsured and unsecured.

Note 4. Marijuana Eradication Fund

The Sheriff maintained a Marijuana Eradication Fund for calendar year 2001. The beginning balance in the account was \$5,041. Receipts during the year were \$26,046, including \$96 in interest income. Disbursements during the year were \$17,303 resulting in an ending balance at December 31, 2001 of \$13,784. These funds are restricted for marijuana eradication.

Note 5. State Advancements

The Sheriff received \$50,000 of state advancements during calendar year 2001 that was repaid by the Sheriff's office during calendar year 2001.

Note 6. Loan from Marijuana Eradication Fund

The Sheriff's office borrowed \$13,100 from the Marijuana Eradication Fund during calendar year 2001 for use in the daily operation of the Sheriff's office. The total amount was repaid to the Marijuana Eradication Fund during the same calendar year.

COMMENT AND RECOMMENDATION

WAYNE COUNTY
JAMES L. HILL, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2001

The Sheriff Should Have Required The Depository Institution To Pledge Or Provide Additional Collateral Of \$29,298 To Protect Deposits

On November 28, 2001, \$29,298 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Sheriff's Response:

We will take care of and follow up with the bank to increase pledge of securities.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



(502) 499-9088
 800 Envoy Circle
 Louisville, Kentucky 40299-1837

FAX: (502) 499-9002
 Email: bsrescue@bnsn.com
 Internet: www.bsrescue.com

As a member of the Institute of Certified Public Accountants, we are bound by the highest standards of professional conduct and ethics. We are also a member of the American Institute of Certified Public Accountants (AICPA) and the National Association of Public Accountants (NAPAs). We are committed to providing the highest quality of service to our clients and to the public.

To the People of Kentucky

Honorable Paul E. Patton, Governor
 T. Kevin Flanery, Secretary
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 Dana Mayton, Secretary, Revenue Cabinet
 Honorable Bruce Ramsey, Wayne County Judge/Executive
 Honorable James L. Hill, Wayne County Sheriff
 Members of the Wayne County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Wayne County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated June 5, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Wayne County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Have Required The Depository Institution To Pledge Or Provide Additional Collateral Of \$29,298 To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wayne County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
June 5, 2002

